

PUBLIC DISCLOSURE

MAY 28, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

LEOMINSTER CREDIT UNION

20 ADAMS STREET
LEOMINSTER, MA 01453

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **LEOMINSTER CREDIT UNION** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **MAY 28, 2003**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: Leominster Credit Union is rated "Outstanding".

Leominster Credit Union was evaluated for its performance under the Community Reinvestment Act according to the CRA Examination Procedures for Large Institutions, Credit Unions, including an evaluation of the credit union's Lending and Service performance.

The above rating is based upon the credit union's superior performance under the Lending Test, including its Lending Activity, Borrower Characteristics, and Innovative or Flexible Lending products, and its reasonable performance under the Geographic Distribution of Loans and Fair Lending Practices. Leominster Credit Union has also demonstrated a superior performance under the Service Test. Lastly, the credit union's qualified investments were reviewed however, no rating for the Investment Test was given due to regulatory restrictions for credit unions.

LENDING AND SERVICE TEST TABLE

The following table indicates the performance level of **LEOMINSTER CREDIT UNION, LEOMINSTER, MA**, with respect to the lending and service tests.

PERFORMANCE TESTS Leominster Credit Union		
Performance Levels	Lending Test*	Service Test
Outstanding		X
High Satisfactory	X	
Satisfactory		
Needs to Improve		
Substantial Non-Compliance		

*Note: The Lending Test is weighed more heavily than the Service Test when arriving at an overall rating.

DESCRIPTION OF INSTITUTION

Leominster Credit Union is a community-based financial institution incorporated in May of 1954. Membership in Leominster Credit Union is limited to individuals living, working, or having business within six Massachusetts counties including Worcester, Middlesex, Franklin, Hampden, Hampshire, and Norfolk Counties.

The credit union's main office is located at 20 Adams Street, approximate to Downtown Leominster. Leominster Credit Union operates five full-service branch offices. These offices are located in the towns of Clinton, Holden, and Sterling and the City of Worcester. A second Leominster office is located at 1316 Main Street, North Leominster. All offices offer drive-up facilities with extended hours and 24-hour ATM service with network access. In addition, Leominster Credit Union operates three school branches located at Leominster and Clinton High Schools and at Wachusett Regional High School, Holden.

As of March 31, 2003, Leominster Credit Union had total assets of \$280.8 million with total loans representing \$154 million or 54.8 percent of total assets. The following table depicts Leominster Credit Union's loan portfolio composition based on its March 2003 NCUA 5300 Report.

Leominster Credit Union's Loan Portfolio as of March 31, 2003	
Type of Loans	% of Total Loans
Construction & Land Development	--
Residential Real Estate	
a. 1-4 Family Mortgages	57.6
b. Home Equity Lines (includes second mortgages)	14.2
Multifamily	--
Commercial Loans	
a. Commercial Real Estate	--
b. Commercial & Industrial Loans	--
Consumer Loans	
a. Credit Cards & Related Plans	--

b. Loans to Individuals/Other Loans	28.2
Total Loans	100.0

Source: NCUA 5300 Quarterly Reports.

First mortgage loans and Home Equity Lines of Credit represent the majority (71.8 percent) of the credit union's loan portfolio. The second largest segment of the loan portfolio is the credit union's consumer loans, which represents 28.2 percent of the portfolio.

There appears to be no legal or regulatory impediments that would effect the credit union in meeting the needs of its community. The Division of Banks conducted the previous Community Reinvestment Act (CRA) evaluation as of March 6, 2000. That examination resulted in an "Outstanding" rating.

Parity Powers

In October 2000, Leominster Credit Union received approval from the Division of Banks to engage in certain activities authorized under the "Parity with Federal Credit Union Regulations", 209 CMR 50.00. Those parity powers that may impact the credit union's CRA performance are as follows:

- Increase term of savings secured loans to a maximum of \$500,000 for a maximum of 12 years;
- Increase personal unsecured loans up to \$100,000 for a maximum of 6 years;
- Allow 100% automobile financing up to \$100,000 for a maximum of 12 years;
- Increase the maximum home improvement loan to \$100,000 for a maximum of 15 years;
- Increase boat, camper, and trailer loans up to \$100,000 for a maximum of 20 years;
- Increase the maximum on residential first mortgage loans to \$350,000 with an increased LTV up to 95%; and
- Increase home equity loans up to \$250,000 for a maximum of 25 years.

In October 2002, Leominster Credit Union received approval from the Division of Banks to engage in certain activities authorized under the "Parity with Federal Credit Union Regulations", 209 CMR 50.00. These additional powers include:

- Allow for 100% indirect automobile financing up to \$100,000 for a maximum of 12 years;

- Allow for indirect financing of boats, campers, and trailers up to \$100,000; and
- Allow the purchase and sale of loan portfolios.

Description of Assessment Area

The following table reflects Leominster Credit Union's assessment area by county. Also included in the table are the HUD estimated Median Family Incomes (2001 and 2002) for the Boston, Fitchburg/Leominster, Worcester, and Non-Metropolitan Statistical Areas (MSA).

Assessment Area by Metropolitan Statistical Area (MSA)							
Boston MSA		Fitchburg Leominster MSA		Non-MSA		Worcester MSA	
Counties							
Middlesex Worcester		Middlesex Worcester		Worcester		Worcester	
Communities							
Berlin, Bolton, Harvard, Lancaster, Shirley (Fort Devens), Townsend		Ashburnham, Ashby, Baldwinville, Fitchburg, Gardner, Leominster, Lunenburg, Templeton, Westminster, Winchendon		Hubbardston		Auburn, Boylston, Clinton, Grafton, Holden, Leicester, Millbury, Oakham, Paxton, Princeton, Rutland, Shrewsbury, Sterling, West Boylston, Worcester	
Median Family Incomes (\$)							
2001	2002	2001	2002	2001	2002	2001	2002
70,000	74,200	57,200	60,900	50,500	52,100	57,000	58,400

Source: PCI Services, Inc., CRA Wiz Software.

Change in Demographics

In 2003, the US Census Bureau released its revised demographics based upon 2000 census data. The following table reflects both the 1990 and 2000 census data of Leominster Credit Union's assessment area by census tract income groupings. In addition, the percentage change in the number of census tracts by income grouping is also reflected.

Change in Assessment Area Demographics					
Census Tracts	1990 Census Data		2000 Census Data		% Change in Number of Census Tracts
	#	%	#	%	

Low	7	6.2	12	10.5	71.4
Moderate	20	17.7	21	18.4	5.0
Middle	61	54.0	58	50.9	- 4.9
Upper	22	19.5	21	18.4	- 4.6
NA	3	2.6	2	1.8	- 33.3
Total	113	100.0	114	100.0	0.9

Source: PCI Services, Inc., CRA Wiz Software.

The seven low-income census tracts from the 1990 census data were located in the cities of Fitchburg and Worcester, while the twenty moderate-income census tracts were located in the towns of Shirley and Lancaster, and the cities of Gardner, Leominster, Fitchburg, and Worcester. The 2000 census data added a low-income census tract to the Town of Shirley, and four additional low-income tracts to the City of Worcester. The 2000 census data also added a moderate-income census tract to the City of Fitchburg, and created a total of thirteen moderate-income tracts in the City of Worcester. The following table reflects the changes in the low and moderate-income census tracts from the 1990 census data to the 2000 census data by community. Note: The **bolded** items reflect a change.

Changes in Leominster Credit Union's Low and Moderate Income Census Tracts				
Community	1990 Census Data		2000 Census Data	
	Low Income Census Tracts	Moderate Income Census Tracts	Low Income Census Tracts	Moderate Income Census Tracts
Fitchburg	7107.00	7105.00, 7106.00,7110.00	7107.00	7105.00, 7106.00, 7108.00 , 7110.00
Worcester	7313.00, 7314.00, 7315.00, 7317.00, 7320.01, 7325.00	7312.01, 7316.00, 7318.00, 7319.00, 7320.02, 7321.00, 7324.00, 7326.00, 7327.00, 7329.02, 7330.00	7312.02 , 7313.00, 7314.00, 7315.00, 7316.00 , 7318.00 , 7319.00 , 7320.01, 7321.00, 7325.00	7304.02 , 7305.00 , 7310.00 , 7311.01 , 7312.01, 7317.00 , 7322.01 , 7322.03 , 7324.00, 7326.00, 7327.00, 7329.01 , 7330.00
Shirley	--	3022.00	3022.00	--
Gardner	--	7072.00, 7094.00	--	7072.00, 7073.00
Leominster	--	*7093.00, 7094.00	--	7094.00, 7096.00
Harvard	--	7141.00	--	--

Source: PCI Services, Inc., CRA Wiz Software.

Census tract 7093.00, a moderate-income census tract in Leominster was eliminated in 2000. Also in Leominster, census tract 7097.00, a middle-income census tract, was split into two tracts, 7097.01 and 7097.02, both middle-income census tracts. Lastly, in the Town of Lunenburg, a former upper-income census tract 7121.00 was also split into two census tracts 7121.01 (middle-income) and 7121.02 (upper-income).

The following table reflects selected housing characteristics, based upon 1990 census data, for each of the census tract income groupings in Leominster Credit Union's assessment area.

Selected Housing Characteristics by Income Category of the Geography Based on 1990 Census Data							
Geographic Income Category	Percentage						Median Home Value (\$)
	Census Tracts	Households	Housing Units	Owner-Occupied	Rental Units	Vacant Units	
Low	6.2	5.0	5.5	0.8	11.0	11.4	127,933
Moderate	17.7	17.2	17.5	7.8	30.5	22.0	108,358
Middle	54.0	58.0	57.7	63.6	50.5	51.4	129,766
Upper	19.5	19.8	19.3	27.8	8.0	15.2	172,542
NA	2.6	0.0	0.0	0.0	0.0	0.0	0
Total or Median	100	100	100	100	100	100	134,190

Source: U.S. Census

The following table reflects selected housing characteristics, based upon 2000 census data, for each of the census tract income groupings in Leominster Credit Union's assessment area.

Selected Housing Characteristics by Income Category of the Geography Based on 2000 Census Data							
Geographic Income Category	Percentage						Median Home Value (\$)
	Census Tracts	Households	Housing Units	Owner-Occupied	Rental Units	Vacant Units	
Low	10.5	7.8	8.1	1.7	17.5	14.3	89,214
Moderate	18.4	18.8	19.2	10.6	31.8	26.6	107,791
Middle	50.9	53.5	53.2	60.5	42.6	45.1	133,415
Upper	18.4	19.9	19.4	27.2	8.1	10.5	201,406
NA	1.8	0.0	0.1	0.0	0.0	3.5	0
Total or Median	100	100	100	100	100	100	137,847

Source: U.S. Census

Description of Aggregate Data Utilized/Lending Activity

Aggregate data, for HMDA reportable lending performance purposes only, constitutes 420 (both large and small) mortgage companies, savings banks, commercial banks, cooperative banks, and credit unions, which have originated and/or purchased at least one residential mortgage and/or home improvement loan within the credit union's assessment area (source: PCI Services, Inc., CRA Wiz). The total number of originations/purchases

received by these lenders in calendar year 2001 was 34,040. The top five lenders (in descending order) within Leominster Credit Union's assessment area in 2001 were: Washington Mutual Bank, 2,007 loans/5.9 percent share; Fleet National Bank, 1,914 loans/5.6 percent share; Countrywide Home Loans, 1,657 loans/4.9 percent share; Wells Fargo Home Mortgage, 1,487 loans/4.4 percent share; and GMAC Mortgage, 1,372 loans/4.0 percent share. Leominster Credit Union ranked 35th with 268 loans and a 0.8 percent share.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The institution's Lending Test performance was rated an overall "High Satisfactory." The institution's lending efforts are rated under the six major performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Innovative or Flexible Lending Practices, Loss of Affordable Housing, and Fair Lending Policies and Practices. In addition, other loan data involving a sample of the credit union's consumer loans was also evaluated. The following information details the data compiled and reviewed, as well as conclusions on the credit union.

I. Lending Activity

This criterion evaluates the number and dollar amount of loans originated or purchased within the assessment area. The credit union's credit products evaluated under this criterion and the two subsequent lending test criteria are: (1) residential loans that are considered to be HMDA-reportable loans and (2) the credit union's consumer loans (based upon a sample of loans). A HMDA reportable loan is defined as home purchase loans (including originations, purchases, and refinances) as well as home improvement loans. For the purposes herein, the period under review for HMDA reportable lending constitutes calendar years 2001, and 2002, and an interim period through May 5, 2003.

For the consumer loan lending activity only, the Division of Banks utilized internally generated reports for calendar years 2001, and 2002, incorporating new and used automobile loans, passbook secured and single payment loans, recreational vehicle, and personal unsecured loan types.

One measure that is utilized in assessing a financial institution's lending activity is an analysis of its total loan to total asset ratio.

Leominster Credit Union's net loan to total asset ratio as of March 31, 2003, was 54.6 percent, down slightly from 55.6 percent as of March 31, 2002.

Comparisons of Leominster Credit Union net loans to total asset ratio to that of local competitors was also performed. As of March 31, 2003, (latest comparative information available) Leominster Credit Union had total assets of \$280,809,000 and a net loan to total asset ratio of 54.6 percent. The net loan to total asset ratios of other area credit union's are presented in the following table. The data presented is as of March 31, 2003.

COMPARATIVE NET LOAN-TO-ASSETS RATIOS

Financial Institution	Total Assets (000)	Net Loan to Total Asset Ratio (%)
I C Federal Credit Union	278,647	71.4
Leominster Credit Union	280,809	54.6
Peoples Community Credit Union	14,204	66.1
Workers' Credit Union	438,333	75.5

Source: NCUA 5300 Reports as of March 31, 2003

Leominster Credit Union's loan portfolio, overall, has experienced nominal growth. From March 31, 2002 to March 31, 2003, the credit union's loan portfolio (gross) grew 2.4 percent. The following table reflects Leominster Credit Union's loan portfolio (gross) by type for March 31, 2002 and March 31, 2003 (per NCUA 5300 Reports), as well as the growth rate of each loan type.

LEOMINSTER CREDIT UNION'S LOAN PORTFOLIO			
Loan Types	March 31, 2002*	March 31, 2003*	% Growth
All Other Unsecured Loans – Lines of Credit	4,316	3,582	-17.0
New Vehicle Loans	5,717	5,942	3.9
Used Vehicle Loans	33,462	32,364	-3.3
1-4 Family Mortgages	86,387	88,910	2.9
All Other Real Estate – Lines of Credit	18,967	21,911	15.5
All Other Loans	1,782	1,562	-12.4
TOTAL	150,631	154,271	2.4

*In Thousands of dollars.

According to credit union management, the growth in all other real estate/ lines of credit reflects a shift from unsecured lines of credit to the more affordable Home Equity Lines of Credit. In addition, although the decline in percentage of all other loans appears large, the decrease in actual dollar volume appears minimal.

It should be noted that Leominster Credit Union is an approved seller/servicer for the Federal National Mortgage Association (FNMA). In 2001, the credit union sold 14 mortgage loans totaling \$2,088,390 to FNMA. That equals 1.2 percent of the number and 2.5 percent of the dollar volume of 1-4 family mortgage loans in Leominster Credit Union's loan portfolio as of year-end 2001. In 2002, the credit union sold 51 loans totaling \$6,273,350 to FNMA. That equals 4.3 percent of the number and 7.1 percent of the dollar volume of 1-4 family mortgage loans in Leominster Credit Union's loan portfolio as of year-end 2002. Lastly, through July 8, 2003, the credit union has sold 29 loans totaling \$4,127,104 to FNMA.

Another measurement that is utilized in evaluating a financial institutions lending performance is an analysis of lending extended both inside and outside of the institution's assessment area.

HMDA Reportable Loans

An analysis of HMDA reportable lending extended inside and outside Leominster Credit Union's assessment area was also performed. For the period reviewed, The City of Leominster received the largest number and dollar volume of HMDA reportable loans with 216 loans totaling \$23,273,000. This represents 31.0 percent of the number and 29.9 percent of the dollar volume of the credit union's total lending. The City of Fitchburg ranked second with 66 loans totaling \$6,657,000 or 9.5 percent and 8.6 percent of the credit union's total lending, respectively. Furthermore, no concentration of HMDA reportable lending to a community outside of the credit union's assessment area was noted as a result of this analysis. Refer to the following.

Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area												
Year	Inside				Outside				Total			
	Number of Loans		Dollar Volume (000)		Number of Loans		Dollar Volume (000)		Number of Loans		Dollar Volume (000)	
	#	%	\$	%	#	%	\$	%	#	%	\$	%
2001	268	91.8	29,077	92.1	24	8.2	2,498	7.9	292	100	31,575	100
2002	245	91.4	27,809	91.7	23	8.6	2,503	8.3	268	100	30,312	100
2003 *	131	94.9	15,106	95.0	7	5.1	797	5.0	138	100	15,903	100
Total	644	92.3	71,992	92.6	54	7.7	5,798	7.4	698	100	77,790	100

Source: HMDA LAR, CRA Wiz

* Through May 9 2003.

As indicated, in 2001, Leominster Credit Union originated (overall) 292 HMDA reportable loans totaling \$31,575,000, whereas, in 2002 the credit union originated (overall) 268 HMDA-reportable loans totaling \$30,312,000. That represents a slight decline of 8.2 percent in the number and a 4.0 percent decline in the dollar volume of the credit union's HMDA reportable lending. However, over the period examined, the credit union made approximately 91 percent of all loans within its assessment area.

In all periods reflected, Leominster Credit Union experienced, as did the industry as a whole, a marked rise in refinances. In 2001, 73.5 percent of the credit union's HMDA-reportable lending was in the form of refinances. In 2002, that level grew to 78.0 percent,

and for the interim 2003 period, a substantial 93.1 percent of the credit union's HMDA loans were refinances.

In conclusion, although Leominster Credit Union's HMDA reportable lending experienced a slight decrease between calendar years, its level of lending is considered to be very strong.

Consumer Lending

Based upon an internally generated report, an analysis of Leominster Credit Union's consumer lending extended both inside and outside of its assessment area for calendar years 2001 and 2002 was also performed. Refer to the following.

Distribution of Consumer Lending Inside and Outside of the Assessment Area*												
Year	Inside				Outside				Total			
	Number of Loans		Dollar Volume (000)		Number of Loans		Dollar Volume (000)		Number of Loans		Dollar Volume (000)	
	#	%	\$	%	#	%	\$	%	#	%	\$	%
2001	2,573	78.9	20,722	77.9	688	21.1	5,887	22.1	3,261	100	26,610	100
2002	2,245	86.3	20,578	85.0	356	13.7	3,624	15.0	2,601	100	24,202	100
Total	4,818	82.2	41,300	81.3	1,044	17.8	9,511	18.7	5,862	100	50,812	100

*Source: Internally generated report

As indicated, Leominster Credit Union experienced a significant volume of lending within the consumer loan area and originated a majority of its consumer loans inside its assessment area. Consequently, the credit union's consumer loan activity is considered to be superior.

II. Geographic Distribution

This criterion evaluates the institution's lending performance to the low-, moderate-, middle-, and upper-income census tracts within its assessment area.

Based upon 1990 census data, Leominster Credit Union's assessment area contains one hundred thirteen census tracts. Of those tracts, seven or 6.2 percent are low-income, twenty or 17.7 percent are moderate-income, sixty-one or 54.0 percent are middle-income, twenty-two or 19.5 percent are upper-income, and three have no income designation.

Distribution of HMDA Reportable Loans within the Assessment Area

An analysis of HMDA reportable lending extended within the various census tracts contained within Leominster Credit Union's assessment area was also conducted. The following table presents the credit union's performance as well as the 2001 aggregate data (exclusive of Leominster Credit Union) of HMDA reportable lending by percentage. In addition, the table also reflects the percentage of owner-occupied housing units (per 1990 census data) in each of the census tract income categories.

Distribution of HMDA Loans by Income Category of the Census Tract (1990 Census Data)								
Census Tract Income Level	% Total Owner- Occupied Housing Units	Aggregate Lending Data 2001	2001		2002		Total	
			%	#	%	#	%	%
Low	0.8	1.1	0	0.0	0	0.0	0	0.0
Moderate	7.8	7.7	12	4.5	19	7.8	31	6.0
Middle	63.6	61.8	163	60.8	145	59.2	308	60.0
Upper	27.8	29.4	93	34.7	81	33.0	174	34.0
Total	100	100	268	100	245	100	513	100

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

Of particular note is the credit union's lending in the moderate-income census tracts in its assessment area. In 2001, the percentage of the credit union's HMDA-reportable lending was below that of the aggregate; however that percentage improved substantially in 2002. In addition, the number of loans (by percentage) in 2002 was equal to the percentage of owner-occupied housing available within the moderate-income tracts.

Although the credit union did not originate any HMDA reportable loans within the seven low-income census tracts, the aggregate also only had a nominal penetration of those tracts, and the demographic data reflects limited availability of owner-occupied units within those tracts.

By dollar volume in 2001, the credit union originated 4.3 percent of its HMDA reportable loans in the moderate-income census tracts, below the 2001 aggregate data by dollar volume of 5.9 percent to those tracts. Calendar year 2002 HMDA reportable loans by dollar volume reflected improvement, with 7.1 percent going to the moderate-income census tracts.

Further, an analysis of the credit union's HMDA reportable lending extended within the various census tracts contained within its assessment area for the 2003 interim period was also conducted. It should be noted that, as of January 1, 2003, a revision to Regulation C

(HMDA reporting) went into effect. This revision states in part..."For all applications and loans reported on lenders' 2003 HMDA/LARs, lenders must use the census tract numbers and corresponding geographic areas from the 2000 census".

Based upon 2000 census data, Leominster Credit Union's assessment area contains one hundred fourteen census tracts. Of those tracts, 12 or 10.5 percent are low-income, 21 or 18.4 percent are moderate-income, 58 or 50.9 percent are middle-income, 21 or 18.4 percent are upper-income, and two have no income designation.

As a result of the revision to Regulation C, the analysis of Leominster Credit Union's interim 2003 performance is presented separately. The following table presents the credit union's performance as well as the percentage of owner-occupied housing units (per 2000 census data) in each of the census tract income categories.

Distribution of HMDA Loans by Income Category of the Census Tract (2000 Census Data)					
Census Tract Income Level	% Total Owner- Occupied Housing Units	2003*			
		#	%	\$(000)	%
Low	1.7	0	0.0	0	0.0
Moderate	10.6	4	3.1	436	2.9
Middle	60.5	91	69.4	10,308	68.2
Upper	27.2	36	27.5	4,362	28.9
Total	100	131	100	15,106	100

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

* Through May 9, 2003.

Through the five month interim period, the credit union has not granted a HMDA reportable loan within the twelve low-income census tracts. However, the 2000 demographic data continues to suggest extremely limited opportunities for lending within low-income census tracts, given the percentage of owner-occupied housing units falling within them. The credit union appears to have achieved an adequate penetration of the moderate-income census tracts for the interim period.

In conclusion, given both the 1990 and 2000 census data demographics of Leominster Credit Union's low and moderate-income census tracts within its assessment area, the geographic distribution of its HMDA reportable lending is considered reasonable.

Distribution of Consumer Loans within the Assessment Area

Since the credit union does not, nor is it required to, collect or maintain census tract data on its consumer lending, the internally generated report capturing all the credit union's consumer lending could not be utilized. Therefore a sample of the credit union's loan files was taken to obtain this information and was subsequently compared to 1990 census tract data.

In calendar year 2001, Leominster Credit Union granted 3,806 consumer loans totaling \$27,191,321. The largest segment of these consumer loans was used automobile loans. During 2001, the credit union granted 2,133 used auto loans totaling \$19,347,798 representing 56.0 percent of the number of loans granted and 71.2 percent of the dollar volume.

In 2002, the credit union granted 3,013 consumer loans totaling \$24,659,759. During this period, the credit union granted 1,573 used automobile loans totaling \$17,394,469 representing 52.2 percent of the number of loans granted and 70.5 percent of the dollar volume.

Given their predominance, the loan product chosen for review was used automobile loans. A sample of 100 used auto loans from 2001 and 2002 was taken and results are presented below.

Distribution of Consumer Lending by Income Category of the Census Tract*						
Census Tract Income Level	2001		2002		Total	
	#	%	#	%	#	%
Low	1	1.9	1	2.1	2	2.0
Moderate	11	20.4	4	8.3	15	14.7
Middle and Upper	42	77.7	43	89.6	85	83.3
Total	54	100	48	100	102	100

*Source: Loan sample.

In total, the credit union granted 2.0 percent of the sample in low-income census tracts and 14.7 percent in moderate-income census tracts. The geographic distribution by dollar volume closely paralleled the numerical distribution and consequently, is not included in this discussion.

Therefore, based upon the sampling, Leominster Credit Union's consumer lending penetration by census tract is considered reasonable.

III. Borrower Characteristics

The third lending criterion evaluates the extent to which an institution lends to borrowers of low, moderate, middle, and upper- income by number and dollar volume.

HMDA Reportable Lending

An analysis of HMDA reportable lending extended within Leominster Credit Union's assessment area, among various income levels for the period under review was performed. Originations were categorized by the ratio of the applicant's reported income to the 2001 and 2002 estimated median family incomes of the appropriate MSA (refer to the Performance Context Section).

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate income is defined as 50 to 79 percent of the median family income. Middle income is defined as income between 80 and 119 percent of the median family income. Upper income is defined as income greater than 120 percent of the median family income.

The following analysis also includes 2001 aggregate data (exclusive of Leominster Credit Union) on HMDA-reportable loans by percentage as well as demographic data on the percentage of households per 1990 census data in the assessment area in each respective income group by percentage.

Refer to the following.

Distribution of HMDA Loans by Borrower Income (1990 Census Data)								
Median Family Income Level	% Total Households	Aggregate Lending Data 2001	2001		2002		Total	
		%	#	%	#	%	#	%
Low	24.8	3.1	12	4.5	19	7.8	31	6.0
Moderate	15.2	14.3	59	22.0	63	25.7	122	23.8
Middle	20.0	24.9	90	33.6	76	31.0	166	32.4
Upper	40.0	39.6	107	39.9	85	34.7	192	37.4
NA	0.0	18.1	0	0.0	2	0.8	2	0.4
Total	100	100	268	100	245	100	513	100

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

Included in the low-income category are 17,248 households whose income is considered to be below poverty level, and thus, unlikely to qualify for a HMDA- reportable loan. If that category were adjusted to reflect this fact, the percentage of low-income households within the assessment area would be decreased to 16.6 percent.

It should be noted that those originations designated as not applicable (NA) loans are either:

- The borrowers' income was not taken into account when granting the loan;
- The borrower is an employee; or
- The loan was purchased.

As indicated in the table, Leominster Credit Union's percentage of lending to low-income borrowers is above that of the aggregate and its lending to moderate-income borrowers is well above that of aggregate in 2001. In addition, the percentages improved in both the low and moderate-income categories in 2002.

By dollar volume in 2001, Leominster Credit Union originated 2.6 percent of its HMDA reportable loans to low-income borrowers and 18.2 percent to moderate-income borrowers. This also outpaced the 2001 aggregate data by dollar volume of 1.7 percent to low-income borrowers and 10.3 percent to moderate-income borrowers.

Calendar year 2002 HMDA reportable lending by dollar volume was 4.3 percent to low-income borrowers and 23.1 percent to moderate-income borrowers.

As mentioned above, as a result of the revision to Regulation C, 2003 loans must be considered in the context of the 2000 Census data. Therefore an analysis of Leominster Credit Union's interim 2003 performance by borrower income was conducted separately. The following table presents the credit union's performance as well as demographic data on the percentage of households based on 2000 census data in each of the respective income groups.

Distribution of HMDA Loans by Borrower Income (2000 Census)					
Median Family Income Level	% Total Households	2003*			
		#	%	\$	%
Low	25.4	14	10.7	1,134	7.5
Moderate	15.7	29	22.1	2,878	19.1
Middle	18.6	42	32.1	4,378	29.0
Upper	40.3	43	32.8	6,364	42.1
NA	0.0	3	2.3	352	2.3
Total	100	131	100	15,106	100

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data
Through May 9, 2003.

Included in the low-income category are 20,285 households within the assessment area whose income is considered to be below poverty level, and thus, unlikely to qualify for a

HMDA reportable loan. If that category were adjusted to reflect this fact, the percentage of low-income households within the assessment area would be decreased to 16.5 percent.

For the five-month interim period, the percentage of lending to low-income borrowers by number continues to improve and the percentage of lending to moderate-income borrowers has surpassed the percentage of moderate-income households per the 2000 census data. The percentage of dollar volume to borrowers of low and moderate-income also reflects a continued, positive trend.

Based upon the above, Leominster Credit Union's level of HMDA-reportable lending to borrowers of low and moderate-income is considered to be above average.

Consumer Lending

The credit union's used automobile lending sample was also analyzed based on the distribution of loans among various income categories of borrowers. The following table provides the borrowers' income distribution (by number) for the loans sampled.

Distribution of Consumer Lending by Borrower Income*						
Median Family Income Level	2001		2002		Total	
	#	%	#	%	#	%
Low	27	50.0	16	33.3	43	42.2
Moderate	16	31.9	15	31.3	31	30.4
Middle	7	13.0	11	22.9	18	17.6
Upper	4	7.4	6	12.5	10	9.8
Total	54	100	48	100	102	100

*Source: Loan sample.

As indicated a total of 72.6 percent of the number of used automobile loans captured in the sample went to borrowers of low and moderate-income borrowers, during years 2001 and 2002. It should be noted that consumer loans are generally granted to single applicants, however the incomes have been compared to median family income. Therefore, the percentage of originations occurring in low and moderate-income categories may be somewhat higher. Nevertheless, Leominster Credit Union's distribution of its consumer lending to borrowers of low and moderate income is considered to be substantial.

IV. Community Development Lending

As defined in the revised CRA regulation, a community development purpose is: affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, or activities that revitalize or stabilize low and moderate-income geographies. However, in order to qualify as a community development loan, the loan must not be reportable as a home mortgage or small business loan, unless it is for a multi-family dwelling (five or more units).

No community development loans were granted during the period reviewed. It is recognized that Leominster Credit Union's ability to be involved in community development lending is limited by restrictions imposed by Massachusetts General Laws, NCUA, and its by-laws. However, consideration was given to the credit union's ongoing relationship with Habitat for Humanity of North Central Massachusetts (HHNCM) and the housing that it provides enabling low and very low-income families to become homeowners in communities within Northern Worcester and Middlesex counties. HHNCM provides 20-year, 0 percent interest mortgage loans to qualified individuals in order to facilitate the

acquisition of a Habitat home. Leominster Credit Union provides servicing for HHNCM's mortgage loans, receiving no financial benefit from the transaction and making the credit more affordable for low income borrowers.. Currently, the credit union is servicing five mortgage loans totaling \$217,160 for HHNCM.

V. Innovative or Flexible Lending Practices

This criterion evaluates an institution's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low or moderate-income individuals or geographies. An innovative practice is one that serves low and moderate-income creditworthy borrowers in new ways or serves groups of creditworthy borrowers not previously served by the institution. Both flexible and innovative practices are favorably considered. Although a practice ceases to be innovative if its use is widespread, it may receive consideration if it is a flexible underwriting practice.

Management reviews its credit products and underwriting standards on an on-going basis to ensure that the credit needs of the assessment area are being met. The credit union's mortgage underwriting guidelines conform generally to secondary market guidelines, utilizing qualifying ratios of 28%/36%. However, Leominster Credit Union offers an in-house first time homebuyer mortgage program as well as other programs with flexible underwriting guidelines that assist first-time homebuyers.

As previously mentioned in the Performance Context of this Public Evaluation, Leominster Credit Union was granted various parity powers in the area of lending in 2000. Because of the parity powers, the credit union's first time homebuyer program now offers up to 95% loan-to-value, a more flexible and competitive product than previously allowed. Also, the powers now allow for a maximum residential mortgage amount of up to \$350,000 instead of the previously allowed \$200,000 with for a 5 percent down payment option of which 2 percent can be in the form of a gift and as well as a discounted interest rate of 50 basis points below the credit union's 30-year mortgage rate. The program allows qualifying ratios of 30%/38% and with a qualified co-signer up to 35%/43%. The borrower's gross income cannot exceed \$46,000 for a one to two person household. Leominster Credit Union granted 11 first time homebuyer loans totaling \$1,150,180 in 2001, and 37 loans totaling \$4,451,090 in 2002. Through July 2003, the credit union originated 5 loans totaling \$522,670 under this program.

Leominster Credit Union is an approved lender of the Massachusetts Housing Finance Agency and currently originates loans under MHFA's first time homebuyer and "Get The Lead Out" loan programs. Leominster Credit Union is the only locally based financial institution participating in these MHFA lending programs. Working in conjunction with an area non-profit organization, the credit union granted 13 "Get the Lead Out" loans totaling \$277,173 in 2001, 13 loans totaling \$258,169 in 2002, and 9 "Get the Lead Out" loans totaling \$173,744 through May 2003. In 2001, Leominster Credit Union granted 1 mortgage loan totaling \$85,000 under MHFA's first time buyer program. In 2002, the credit

union closed 3 mortgages totaling \$364,350, and through July 14, 2003, closed 1 first time homebuyer mortgage for \$142,500 under the MHFA program.

As previously mentioned in the Performance Context of this Public Evaluation, Leominster Credit Union was granted various parity powers in the area of lending in 2002. Because of parity, the credit union can now offer 100 percent automobile financing, with a maximum loan of \$100,000 and a maximum term of 12 years. In addition, the credit union now offers indirect lending through a variety of dealers across the State of Massachusetts.

VI. Loss of Affordable Housing

This criterion evaluates whether or not a financial institution has engaged in systematic lending patterns resulting in the loss of affordable housing.

Based upon the analysis of Leominster Credit Union's lending activity, products, and fair lending practices, there is no evidence that the institution's lending patterns show any undue concentration or systematic pattern of lending resulting in the loss of affordable housing units.

VII. Fair Lending Policies and Practices

Leominster Credit Union has a better than average record of implementing fair lending policies and practices. The following discussion is based on the guidelines of the Division of Banks' Regulatory Bulletin 2.3-101. A fair lending policy statement is part of the credit union's Loan Policy, which the Board of Directors reviews and approves annually. The loan policy prohibits discrimination against all the prohibited classes listed under the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act (FHA).

Currently, the credit union has 94 full-time and 15 part-time employees. Among the institution's staff, there are individuals of Hispanic, African American, and Asian descent, and employees who are bilingual in Spanish, German, and French.

Leominster Credit Union continues to offer seminars to credit union officers and staff regarding compliance with the Home Mortgage Disclosure Act (HMDA), Equal Credit Opportunity Act (ECOA) and other fair lending regulations. In addition, Leominster Credit Union is a member of the Massachusetts Credit Union League, Inc and sends staff to attend seminars on appropriate issues.

In May 2002, Leominster Credit Union's senior management began the process of developing a Diversity Plan. It is anticipated that this Diversity Plan will "effect a fundamental change from traditional management to a management process that is inclusive, participatory, and supportive of all employees." The goals of the plan are:

- Secure Board of Directors and Senior Management's Commitment;
- Establish a Diversity Steering Committee;
- Establish Representation Targets;
- Complete an Assessment of Diversity Issues;
- Implement a Training Program; and
- Evaluate and Update the Plan as needed.

It is anticipated that all of the goals described above will be addressed by the end of 2003.

Underwriting standards conform to secondary market guidelines with qualifying ratios of 28%/36% being used for both mortgage and consumer loan underwriting. The credit union allows flexibility in their underwriting ratios where compensating factors exists, subject to the approval of the Credit Committee and/or the Board of Directors

Leominster Credit Union offers a variety of mortgage products, which include fixed rate, 3/1 and 5/1 adjustable rate mortgages. Mortgage loans are offered with 10, 15, 20, and 30-year terms and Loan to Value (LTV) ratios of up to 95 percent.

The mortgage loan underwriter, who has lending authority, makes the initial loan recommendation of denial or approval. The underwriter then submits the loan to the Vice President of Lending for review/recommendation to either approve or deny. This loan officer's recommendation serves as the second review. In cases of borderline denials or approval, the Senior Vice-President of Lending also reviews the loan package. In all cases, denied mortgage loans are subject to review by the credit union's Credit Committee.

Denied consumer loans are reviewed on a random basis monthly to determined if all underwriting factors have been applied consistently.

Minority Application Flow

The following table reflects the minority demographics of Leominster Credit Union's assessment area based upon both the 1990 and the 2000 census data. Also indicated is the percent change in said demographics.

Change in Assessment Area Racial Demographics					
Race	1990 Census Data		2000 Census Data		% Change in Number of Persons
	#	%	#	%	
Native American	1,034	0.2	831	0.2	- 19.6
Asian	8,471	1.8	14,942	3.0	76.4
Black	12,417	2.6	17,436	3.5	40.4
Hispanic	27,606	5.7	43,363	8.6	57.1
Other	624	0.1	9,418	1.9	1,409.3
White	432,317	89.6	415,732	82.8	- 3.8
Total Persons	482,469	100.0	501,722	100.0	4.0
Total Minority	50,152	--	85,990	--	71.5

In 2001, Leominster Credit Union received only 7.8 percent of its applications from minorities, falling below the total percentage of minorities within its assessment area and also somewhat below the aggregate lenders. However, the credit union's performance substantially improved in 2002 when it received 10.6 percent of its loan applications from minorities. For calendar years 2001 and 2002, the credit union received a total of 61 HMDA reportable applications from various minority groups, representing 9.2 percent of all applications received within its assessment area.

Refer to the following.

Minority Application Flow (1990 Census)								
Race	Minority Population (%)	2001 Aggregate Data %	2001		2002		Total	
			#	%	#	%	#	%
Native American	0.2	0.3	0	0.0	0	0.0	0	0.0
Asian	1.8	1.9	3	0.9	5	1.5	8	1.2
Black	2.6	1.4	6	1.9	8	2.3	14	2.1
Hispanic	5.7	2.5	14	4.4	15	4.4	29	4.4
Joint Race	0.0	1.1	2	0.6	7	2.1	9	1.4
Other	0.1	0.9	0	0.0	1	0.3	1	0.1
Total Minority	10.4	8.1	25	7.8	36	10.6	61	9.2
White	89.6	56.6	295	92.2	291	85.3	586	88.7
NA	0.0	35.3	0	0.0	14	4.1	14	2.1
Total	100.0	100.0	320	100.0	341	100.0	661	100.0

Source: US Census Data; HMDA LAR, HMDA Aggregate Data

As indicated in the table, the credit union's minority application rate, by percentage, is reasonably consistent with both the percentages of aggregate data and with the population percentages.

As a result of the revision to Regulation C, the analysis of Leominster Credit Union's interim 2003 minority application flow is also presented separately. The following table presents the credit union's performance as well as demographic data on the minority population (per 2000 census data) within the credit union's assessment area.

Minority Application Flow (2000 Census Data)					
Race	Minority Population (%)	2003*			
		#	%	\$	%
Native American	0.2	0	0.0	0	0.0
Asian	3.0	1	0.6	145	0.8
Black	3.5	2	1.2	255	1.4
Hispanic	8.6	7	4.4	1,065	5.6
Joint Race	0.0	2	1.2	163	0.8
Other	1.9	0	0.0	0	0.0
Total Minority	17.2	12	7.4	1,628	8.6
White	82.8	148	92.0	17,065	90.4
NA	0.0	1	0.6	187	1.0
Total	100.0	161	100.0	18,880	100.0

Source: US Census Data; HMDA LAR, HMDA Aggregate Data

Given the demographics of its assessment area, Leominster Credit Union's level of minority applications is considered reasonable.

CONCLUSION – LENDING TEST

Leominster Credit Union's performance under the Lending Test is considered to be above average. This conclusion is based upon the credit union's superior performance in its Lending Activity, and Borrower Characteristics; its reasonable performance under its Geographic Distribution, Innovative or Flexible Lending, Fair Lending Practices, and Loss of Affordable Housing. Leominster Credit Union's Community Development Lending was not rated due to the regulatory restrictions imposed upon the credit union. Therefore, as a result of such performance, a rating of "High Satisfactory" is ascribed.

SERVICE TEST

Leominster Credit Union's performance under the service test is considered to be very strong. Consequently, a rating of "Outstanding" is assigned. Refer to the following.

The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The following describes Leominster Credit Union's services.

The credit union's systems for delivering retail-banking services are readily available to geographies and individuals of all income levels throughout its assessment area. Leominster Credit Union's officers and staff address community development needs through involvement in a wide range of community organizations.

RETAIL BANKING SERVICES

Distribution of Branches

Leominster Credit Union operates five full-service branch offices in addition to its main office. Based on 1990 census data, the main office and the Clinton and Worcester offices are located in middle income census tracts. The North Leominster, Holden, and Sterling branches are located in upper income tracts. However, the 2000 census changed the census tract income designation of the North Leominster branch (tract 7095) from an upper-income census tract to a middle-income tract.

Retail services are readily accessible to individuals of different income levels. Each of the full service offices provide extended weekday and Saturday hours, 24 hour ATM service with network access and drive-up window service. In addition, Leominster Credit Union is a member of the SUM network of financial institutions, which do not levy surcharges to each other's ATM customers.

Record of Opening and Closing Branches

Leominster Credit Union maintains a Branch Closing/Relocating Policy. The policy meets regulatory requirements concerning branch closing notices and procedures. No branches have been opened or closed since the previous examination.

Alternative Retail Banking Services

Leominster Credit Union continues to operate three high school branches at the Leominster, Clinton, and Wachusett high schools. The school branches are supervised by a credit union employee and staffed by students, generally from the business curriculum. A

school branch is an educational facility through which students learn basic principles and practices of banking. The branches offer full service banking including all deposit and loan products and are accessible to the public. The students gain exposure to many aspects of a working environment and receive course credit for their work.

Leominster Credit Union offers a bank-at-work program, which serves a diverse employer/employee base. Employers having as few as five employees can sign up for the program. There are 444 area employers currently enrolled. Due to the program's success, three full time business development officers now market the programs' services, making on-site visitations to employee groups. In addition, marketing posters and brochures are also offered in Spanish. The credit union's basic bank at work account is the "Direct Checking"; however, all deposit and loan account services are offered through the program. Bank at work serves as an excellent vehicle to provide banking and credit services to many individuals, who have not made use of the mainstream banking system.

The credit union offers 24-hour telephone banking through its Members Express Line (MEL). This service provides account access 24 hours per day, 7 days a week. MEL allows members to obtain balance information, execute transfers between accounts, and make loan payments or calculate what a loan payment might be.

In July 2003, Leominster Credit Union opened a new Contact Center to better assist its members. Employees who staff the center have been trained to: accept consumer loan applications both over the phone and via the Internet; handle basic inquiries on the credit union products and services and; to cross-sell credit union's products when appropriate.

Web Site/Newsletter

Leominster Credit Union offers Internet banking through its own online service at www.leominstercu.com. Using this web-site, members can check account balances, view cleared checks, transfer funds, and pay monthly bills. The bill paying option costs \$4.50 per month except if the member has a "Wicked Awesome" checking account in which case the bill paying option is free of charge. In addition, the credit union has developed a newsletter entitled "The Edge" which is distributed as a statement stuffer on a quarterly basis. This newsletter is used as a marketing/ informational tool to update members on a variety of topics.

Other Retail Services

Leominster Credit Union offers four checking account products. Refer to the following.

Leominster Credit Union's Checking Account Products				
	Wicked Awesome Checking	Direct Checking*	Preferred Checking	Classic Checking
Amount to Open	\$100	\$100	\$300	\$500
Minimum Balance	\$1,000	None	\$300	\$500
Monthly Service Fee	\$10	None	\$5	\$5
Per Check Charge	None	None	None	None
ATM Usage	Free at the Credit Union PLUS Free at non-proprietary ATMs	Free at the Credit Union PLUS Five Free Transactions at non-proprietary ATMs per month	Free at the Credit Union	NA

* Requires Direct Deposit of payroll, social security, or pension check.

In addition, the "Direct Checking" account offers the first order of 200 standard checks free while the "Wicked Awesome" checking offers unlimited free standard checks. Leominster Credit Union also offers passbook and statement savings accounts that require a minimum balance of \$25 to open the account with no monthly fees.

Currently, Leominster Credit Union offers a school savings program, within the high school branches, at Wachusett High School in Holden and the middle school and high school in Clinton. In 2003, Leominster Credit Union hosted two Leominster Public School for teachers who are participating in the Massachusetts' Teacher Externship Program. The teachers gathered information about the various skills utilized in the financial services industry which in turn they will take back to their respective classrooms in the fall as part of their curriculum. In conjunction with the Externship Program, an expanded school-banking program will be launched at the Clinton and Leominster middle schools in the fall of 2003. Teachers will be responsible for implementing this program with employees of Leominster Credit Union making presentations at the schools. The program will also be expanded to include opening savings accounts and accepting deposits from the middle school students.

In addition, students from Leominster High School's Banking Class visited the credit union to become familiar with credit union operations.

Leominster Credit Union also continues to participate in the Wachusett Regional School District Career Day.

COMMUNITY DEVELOPMENT SERVICES

Leominster Credit Union demonstrates a strong level of community development service with many of the credit union's officers providing expertise to area organizations. Some of the organizations include, but are not limited to, the following.

Leominster Fair Housing Committee – The mission of this organization is “to promote community awareness of fair housing in the City of Leominster.

Appointed by the Mayor of the City, Leominster Credit Union's Vice President and CRA Officer serves on this committee, and was a facilitator at an Affordable/Fair Housing Fair held in conjunction with the “No Place for Hate Campaign” at Leominster City Hall in 2003. Members of this committee also “mystery shop” for rental properties to investigate whether discrimination within the rental application process exists. In addition, this organization makes Fair Housing brochures available through a local Thrift Shop and Food Pantry.

Leominster Downtown Association (LDA) – This association is a partnership of local businesses supporting the downtown area, and youth and charitable organizations throughout the community and region. LDA serves as a liaison between local elected officials and the business sector. Leominster Credit Union's President and Chief Executive Officer serves on the board of this organization.

This individual also serves on the Board of Directors of **North Central Massachusetts Chamber of Commerce (NCMCC)**.

North Central Massachusetts Regional Employment Board - The credit union's President and Chief Executive Officer serves this organization as its chairman. The Board operates as a central agency for 23 cities and towns to help solve employment problems/issues ranging from jobs for the older worker and at risk youth and works on developing ideas for career development and welfare reform.

North Central Massachusetts CRA Coalition (CRA Coalition) - The CRA Coalition's mission is to improve access to capital/credit for low and moderate-income individuals and communities. The CRA Coalition's members consist of financial institutions, non-profit housing, social service organizations, and representatives from area municipalities. Leominster Credit Union's Vice-President of Lending and CRA Officer serves on the Board of Directors and as Co-Chairman of the housing committee providing lending expertise, which assists the organization in developing credit and service programs.

Habitat for Humanity of North Central Massachusetts – Leominster Credit Union's President and Chief Executive Officer serves on the Finance Council of this local Habitat for Humanity chapter.

Worcester Community Housing Resources – This newly formed organization was created by Worcester area credit unions to respond to the housing need of the area. They are currently in the process of developing a loan pool to address these needs. The credit union's President and Chief Executive Officer is part of this new organization.

Massachusetts Workforce Investment Board - The credit union's President serves on this advisory council. This council is a statewide board appointed by the governor acting as an advisory council to inform the Governor of workforce issues.

Twin Cities Community Development Corporation (Twin Cities CDC) – Leominster Credit Union's Vice President of Lending and CRA Officer processes the "Get the Lead Out" loans for the CDC. In addition, this individual serves on the CDC's homeownership loan committee providing technical assistance on how to administer the various loan programs that the CDC and its affiliates offer.

Montachusett Opportunity Council (MOC) - MOC developed "Saving for Self-Sufficiency" and "Welfare-to-Work", two basic banking and budgeting programs, in collaboration with the CRA Coalition. Leominster Credit Union's Vice President and CRA Officer serves as a "personal banker" under this program mentoring low-income people to assist them in establishing a banking and credit relationship. The ultimate goal is to assist these individuals in amassing a sufficient downpayment to purchase a used automobile under the CRA Coalition's "Car Opportunity Ownership Program".

Federal Home Loan Bank of Boston (FHLBB) - Affordable Housing Program ("AHP") provides funding for affordable housing projects in the form of direct subsidy/grant and/or through interest rate subsidized loans. Leominster Credit Union as a FHLBB member submitted a grant application on behalf of Habitat for Humanity of North Central Massachusetts (HHNCM) in April 2003. The grant request was for \$60,000. HHNCM is the sole developer of three, single family homes to be built with AHP funds. The homes are to be built on donated land in the communities of Gardner, Fitchburg, and Maynard. HHNCM homes are sold to selected "Family Partners", families whose median income is less than 50 percent of median-income and are willing to perform required sweat equity hours. HHNCM provides these "Family Partners" with a 20-year, 0 percent interest mortgage on the cost of the home. HHNCM holds the mortgage while Leominster Credit Union services the loan (refer to the Community Development Lending portion of this Public Evaluation). However, in June 2003, the credit union was notified that this project would not be receiving AHP awarded funding.

Although the project was not funded, Leominster Credit Union grant sponsorship efforts are commendable, as they provide an innovative community service, which would otherwise be unavailable to the recipient agencies/projects. Lastly, the credit union's servicing of HHNCM's loans also provides a valuable community service.

Educational Services and Seminars

On November 14, 2002, Leominster Credit Union's Vice President and CRA Officer participated in a workshop entitled "Access Across America" sponsored by the NCUA and the Massachusetts Credit Union League. This individual was one of four credit union panelists who discussed the Neighborhood Reinvestment Corporation and the NeighborWorks System. A representative of Leominster Credit Union was asked to participate in this workshop because of the credit union's support and multi-faceted relationship with the Twin Cities CDC. The goal of the workshop was to identify organizations that credit unions can affiliate with in an effort to create economic empowerment in neighborhoods and communities.

On December 10, 2002, this same individual participated as a panelist in a forum entitled "Addressing Housing Together: What Can We Do?" The forum, co-sponsored by The North Central Housing Coalition and The North Central Massachusetts CRA Coalition, was held to discuss alternatives and options for the provision of adequate housing for all regional residents.

In 2002, Leominster Credit Union granted a contribution to the Twin Cities CDC for Community Development and Affordable Housing purposes. The Twin Cities CDC used the monies to sponsor its first time homebuyer seminars and to assist a first time homebuyer in purchasing a property as part of the Plymouth Street Initiative. The Plymouth Street Initiative is a neighborhood re-vitalization project.

As an ongoing member and financial sponsor of The North Central Massachusetts CRA Coalition, Leominster Credit Union sponsors homebuyer seminars through associated organizations such as the Twin Cities CDC, MOC, and the Gardner CDC. The seminars prepare participants for a number of loan programs offered by these organizations. In addition, credit union employees work with members to prepare them for homeownership with the goal of issuing a pre-qualification or a pre-approval certificate.

CONCLUSION – SERVICE TEST

Leominster Credit Union provides a strong level of retail services and an excellent level of community development services to its assessment area. Therefore a rating of "Outstanding" is ascribed.

INVESTMENT TEST

Under 209 CMR section 46.61 “A credit union that achieves at least a ‘Satisfactory’ rating under the Lending and Service Tests may warrant consideration for an overall rating of ‘High Satisfactory’ or ‘Outstanding’. In assessing whether a credit union’s performance is ‘High Satisfactory’ or ‘Outstanding’, the Division will also consider the credit union’s performance in making qualified investments to the extent authorized by law”.

As defined under the CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low and moderate-income geographies. In recognition of the many legal limitations on an institution’s investments, and the long-term nature and complexity of many community development investments, the CRA regulation allows some reasonable consideration for the entire institution’s portfolio of qualified investments; not just those made since the previous CRA examination.

Given that this is Leominster Credit Union’s first examination as a large institution, its qualified contributions were reviewed. Refer to the following.

Charitable Contributions

Leominster Credit Union has provided contributions to organizations that provide education and training, neighborhood revitalization, youth programs, and health and human services for individuals in need, and support business growth and development. In some instances, these contributions were substantial multi-year commitments.

In 2001, Leominster Credit Union granted \$54,061 in contributions, \$31,991 or 59.2 percent of which were considered qualified under the regulation. In 2002, the credit union granted \$50,092 in contributions, \$25,815 or 51.5 percent of which were considered qualified. Through May of 2003, the credit union has granted \$19,685 in contributions, \$15,205 or 77.2 percent of which were considered qualified.

Leominster Credit Union has granted multi-year commitments to the two area hospitals for their capital campaigns. These hospitals are Clinton Hospital, and HealthAlliance in Leominster. In each instance, the capital campaigns were used for physical expansion, and as such, provide additional employment opportunities.

The credit union has also assisted organizations that provide social services and services to the elderly, such as: United Way of North Central Massachusetts; the Battered Women Resource; Ginny’s Helping Hand, Inc., Our Father’s House (Homeless Shelter); and the

Massachusetts Credit Union Affordable Housing Trust (Homeless), the Montachusett Opportunity Council, Inc; Resources for the Elderly; and the Town of Clinton Senior Center

The credit union has also made donations to organizations that provide school, youth, and educational programs such as: Multi-Service Center; Children's Christmas Fund; Nashua Valley Council Boy Scouts; and the Montachusett Chapter of the YMCA.

Finally Leominster Credit Union has also assisted organizations that provide community/business development such as the Twin Cities Community Development Corporation; Business First (formerly Fitchburg by Design); area Chambers of Commerce; and the Northern Massachusetts CRA Coalition.

Although not considered to be qualified under the revised CRA regulations, Leominster Credit Union continues to be a strong corporate contributor to numerous organizations that support area schools, the arts, as well as non-profit service organizations located within its assessment area.

In conclusion, the above charitable contributions serve to augment Leominster Credit Union's already substantial CRA performance and therefore contribute to its overall rating of "Outstanding".

Leominster Credit Union's Performance within the Boston, Fitchburg/Leominster, Worcester, and non-Metropolitan Statistical Area's (MSA).

Leominster Credit Union's assessment area involves the MSAs mentioned above. The Boston MSA contains 128 cities and towns. Leominster Credit Union's assessment area has 6 communities in the MSA. The credit union's penetration of the Boston MSA constitutes 4.7 percent. The Worcester MSA contains 35 communities, 15 of which, or 42.8 percent, fall within the credit union's assessment area. The non-MSA contains 69 communities, 1 of which, or 1.5 percent, fall within the credit union's assessment area.

Leominster Credit Union's assessment area contains all ten communities in the Fitchburg/Leominster MSA. In calendar years 2001 and 2002, the credit union granted 136 and 138 HMDA reportable loans in the MSA, respectively. For the five month interim in 2003, the credit union granted 72 HMDA loans in the Fitchburg/Leominster MSA.

There are thirty census tracts in the MSA of which one is low-income (3.3 percent) and seven are moderate-income (23.3 percent). In 2001, Leominster Credit Union granted no HMDA reportable loans in the low-income tracts, and 12 loans, or 8.8 percent, in the moderate-income tracts. In 2002, the credit union granted no HMDA loans to the low-income tracts, and 16 loans, or 11.6 percent, to the moderate-income tracts. For the five-month interim in 2003, the credit union granted no HMDA loans in the low-income tracts, and 4 loans, or 5.6 percent, in the moderate-income tracts.

The credit union's HMDA reportable lending to low and moderate-income borrowers in 2001, 2002, and interim 2003, in the Fitchburg/Leominster MSA was as follows:

Leominster Credit Union's Lending By Borrower Income*								
Incomes	2001		2002		2003*		Combined	
	Numb er	Percent	Number	Percent	Number	Percent	Number	Percent
Low	9	6.6	14	10.1	6	8.3	29	8.4
Moderate	31	22.8	43	31.2	18	25.0	92	26.6

*Source: PCI Services, Inc.

In conclusion, Leominster Credit Union's lending in the Fitchburg/Leominster MSA is considered reasonable.

Leominster Credit Union's services assist the entire region that incorporates the MSAs previously discussed. Therefore, a separate analysis of the credit union's services provided in each of the MSAs was not performed.

APPENDIX A

SCOPE OF EXAMINATION

As of the close of business, May 28, 2003 a review of compliance with applicable consumer and fair lending rules and regulations and a CRA examination was conducted at Leominster Credit Union's main office in Leominster, Massachusetts. The credit union's lending products reviewed at this examination include residential mortgage loan originations/purchases and a sampling of consumer loan originations. These products were analyzed under the six major performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Innovative or Flexible Lending, Loss of Affordable Housing, and Fair Lending Practices.

In addition, Leominster Credit Union's performance under the Service Test was reviewed.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

LEOMINSTER CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **MAY 28, 2003**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.